



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Environmental
Conservation

DIVISION OF WATER
Director's Office

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May 24, 2023

Dan Opalski
Director
Office of Water and Watersheds
US Environmental Protection Agency (OWW-135)
1200 Sixth Avenue, Suite 900
Seattle, WA 98101-3140

Dear Mr. Opalski,

The Infrastructure Investments and Jobs Act (IIJA), also known as the Bipartisan Infrastructure Law (BIL), which became effective on November 15, 2021, established substantial funding appropriations for the State Revolving Fund (SRF) Programs over a five-year period. In total, Alaska's allotment for the Clean Water SRF for Year 1 BIL funding is \$11,211,000. The Drinking Water SRF allotment for Year 1 BIL funding is \$53,897,000, including \$28,350,000 specific to Lead Service Line (LSL) Replacements.

In accordance with the BIL and Environmental Protection Agency (EPA) guidance, the LSL funding may only be used to offer loans for projects that replace lead service lines or associated activity directly connected to the identification, planning, design, and replacement of lead service lines. Until the lead service line inventories required by the Lead and Copper Rule Revisions (LCRR) are complete in October 2024, it is not possible to know the extent of the need for LSL funding for replacement project, but the State must inform the EPA if it intends to apply for Federal Fiscal Year 2022 grant funds by June 1, 2023 and those funds must be obligated by September 30, 2023.

During the initial project solicitation period, from December 1, 2022 to February 28, 2023, five utilities submitted project questionnaires expressing interest in a total of \$767,152 in SRF loan funds to complete LSL inventories. Believing that additional need exists, the Alaska SRF Program evaluated each community water system to assess the likelihood that they would be positioned to seek an SRF loan to complete their inventory. Based on this assessment, the Program identified 13 municipally owned community water systems serving 3,300 or more individuals, that are historic SRF borrowers, and have the capacity to assume debt for the LSL inventory. Using an estimate of \$250,000 per inventory, the Program established an initial estimate of \$3,250,000 in potential LSL loans. There are also approximately 35 small, privately owned, for-profit water systems that may also require financing to complete inventories. Using these estimates, the State is confident that approximately \$5,675,676 in loan funds will be sought by eligible borrowers.

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The SRF Program estimates that an additional 300 small water systems may need financial assistance to complete their LSL inventories. EPA has encouraged states to use set-aside funds from the LSL grant to provide such financial assistance. However, set-aside amounts are based on a percentage of the full grant award and states must demonstrate the ability to allocate loan funds through the Project Priority List as part of the federal grant application process. With only \$5,676,676 in estimated loan fund need, the State is only able to seek a maximum of \$1,759,770 in set-aside funds. Due to limitations in the eligible uses of the set-asides, the State is only reasonably able to make use of \$1,081,081 in set-aside funds.

Alaska would like to access the full \$2,835,000 in allowable Local Assistance Set-Aside to provide grant funding to water systems to complete LSL inventories, but that would require applying for all \$28,350,000 in available grant funds. As described above, the State can only reasonably apply for \$6,756,757 in LSL grant funds and must forgo \$2,159,325 in potential Local Assistance set-aside funds that would provide substantial benefit to small water systems in their efforts to comply with the LCRR.

Therefore, the Department of Environmental Conservation (Department) is declining \$21,593,243 in LSL grant funds. While there is additional need for SRF funds statewide, the restrictions of this particular grant prevent the Department from accessing and using additional LSL funds.

I appreciate the assistance and patience of the EPA SRF staff as we evaluated the funding opportunity and look forward to working together on future SRF endeavors.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Bates', with a stylized flourish at the end.

Randy Bates
Director

CC: The Honorable Lisa Murkowski, United States Senate
The Honorable Dan Sullivan, United States Senate
The Honorable Mary Peltola, United States House of Representatives
Jason Brune, Commissioner, Alaska Department of Environmental Conservation